
IX. ISSUES UNIQUE TO INSULAR AREAS**A. Overview**

410. We agree with the Joint Board recommendation that residents and carriers in the insular areas should have access to all universal service programs, including those for high cost support, low-income assistance, and schools, libraries, and rural health care providers. We also agree with the recommendation that we not take any action now to provide support for toll-free access and access to information services in the Commonwealth of the Northern Mariana Islands (CNMI) and Guam, but revisit at a later date the issue of whether support is needed for those services. We note that CNMI and Guam will be included in the North American Numbering Plan (NANP) on July 1, 1997, and that interexchange carriers serving the Pacific Island territories must integrate their rates for service with their rates for providing service to other areas in the United States by August 1, 1997. We find that it is too early to assess the need to support toll-free access and access to information services until these regulatory changes have taken effect.

B. Background

411. Section 254(b)(3) establishes the principle that consumers in insular areas should have access to telecommunications and information services, including interexchange services, and advanced telecommunications and information services that are (1) reasonably comparable to those services provided in urban areas and (2) available at rates that are reasonably comparable to rates charged for similar services in urban areas.¹⁰⁵⁵ As explained in the Joint Explanatory Statement, Congress intended for the Joint Board and the Commission to consider consumers in insular areas, such as the Pacific Island territories, when developing support mechanisms for consumer access to telecommunications and information services.¹⁰⁵⁶

412. The Pacific Island territories have historically been treated as international destinations for purposes of telecommunications regulation. The telecommunications markets on the islands, however, are currently undergoing major changes.¹⁰⁵⁷ Beginning on July 1,

¹⁰⁵⁵ 47 U.S.C. § 254(b)(3).

¹⁰⁵⁶ Joint Explanatory Statement at 131.

¹⁰⁵⁷ See CNMI comments at 3-5; Governor of Guam comments at 3-4. For example, during the summer of 1997, the Guam Telephone Authority, the local exchange carrier on Guam, will (1) join the NANP; (2) introduce Feature Group D equal access; and (3) begin to participate in the NECA access tariffs. Guam Tel. Authority comments at 2. On March 21, 1997, the Common Carrier Bureau granted Guam Tel. Authority's petition to establish a study area encompassing the Territory of Guam. Guam Telephone Authority Petition for Declaratory Ruling, *Report and Order*, AAD 97-27, DA 97-595 (Accounting and Audits Div., Com. Car. Bur., rel. Mar. 21,

1997, CNMI and Guam will be included in the NANP,¹⁰⁵⁸ which will allow consumers in the islands to place a call to the mainland by dialing "1+" the area code and seven digits rather than dialing an international "011" number.¹⁰⁵⁹ By August 1, 1997 interexchange carriers serving those islands will have to integrate their rates with the rates for services that they provide to other states.¹⁰⁶⁰

413. At this time, because most toll-free access customers in the United States do not purchase toll-free access service that includes CNMI, Micronesia Telecommunications Corporation (MTC) offers "paid access" to many toll-free (800/888) numbers. Under this arrangement the calling party calls an 880/881 number and pays a charge that covers the cost of the portion of the call from CNMI to Hawaii, where the call is linked to the domestic toll-free access service.¹⁰⁶¹ A similar arrangement allows end users on Guam to access toll-free

1997).

¹⁰⁵⁸ See North American Numbering Plan Planning Letter, NANP-Introduction of New 670 (CNMI) Numbering Plan Area (NPA), PL-NANP-010 (Sep. 4, 1996); North American Numbering Plan Planning Letter, NANP-Introduction of New 671 (Guam) Numbering Plan Area (NPA), PL-NANP-004 (Aug. 5, 1996). American Samoa is the only U.S. territory or possession with more than *de minimis* interstate interexchange telecommunications traffic that originates or terminates in the fifty states or other U.S. territories or possessions that is not, or is not currently scheduled to be, included in the NANP.

¹⁰⁵⁹ The NANP is the basic numbering scheme that permits interoperable telecommunications service within the United States, Canada, Bermuda, and most of the Caribbean. Calls made between points included in the NANP can be placed by dialing "1+" the area code and seven digit number. Calls to or from areas outside of the NANP must use the international dialing pattern, "011." See Administration of the North American Numbering Plan, *Report and Order*, 11 FCC Rcd 2588, 2593-95 (1995).

¹⁰⁶⁰ Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, *Report and Order*, 11 FCC Rcd 9564 (1996). An interexchange carrier must establish rates for services provided to the U.S. possessions and territories, including American Samoa, the Northern Mariana Islands and Guam that are consistent with the rate methodology that the IXC employs to set rates for services it provides to consumers in other "states." Carriers can choose among several ways to integrate the rates for services to these islands, including expanding mileage bands, adding mileage bands, or offering postalized rates. A carrier must also offer optional calling plans, contract tariffs, discounts, promotions, and private line services to subscribers on these island territories using the same methodology to set rate levels and structure that it uses in offering those services to subscribers on the mainland. *Id.* at 9596-98.

¹⁰⁶¹ CNMI comments at 6-7. The use of 880 and 881 numbers to access toll-free numbers originated with a resolution of the Industry Numbering Committee (INC). See Industry Numbering Committee, Issue #34: Allocation Request for 880 NPA Code, resolution date: November 3, 1995. INC Issue #34 resolved that 880 and 881 numbers could be used for inbound foreign-billed 800 type service. It, however, does not allow for the use of 880 or 881 numbers to place calls within the same country in the NANP.

service by using the 880/881 numbers.¹⁰⁶²

C. Discussion

414. In the Recommended Decision, the Joint Board recognized the special circumstances faced by carriers and consumers in the insular areas of the United States, particularly the Pacific Island territories. The Joint Board recommended that all of the universal service mechanisms adopted in this proceeding should be available in those areas. Thus, low-income residents living in insular areas, such as American Samoa and the U.S. Virgin Islands, would benefit from the Lifeline and Link-up programs, and schools, libraries, and rural health care providers in insular areas would benefit from the programs the Joint Board recommended for providing services to those institutions pursuant to section 254(h). Likewise, carriers in insular areas would be potentially eligible for universal service support if they serve high cost areas.¹⁰⁶³ We agree and adopt these recommendations of the Joint Board and conclude, in accordance with section 254,¹⁰⁶⁴ that insular areas shall be eligible for the universal service programs adopted in this Order.

415. The Joint Board also recommended that the Commission work with an affected state if subscribership levels in that state fall from the current levels on a statewide basis.¹⁰⁶⁵ The record indicates that subscribership levels in insular areas are particularly low.¹⁰⁶⁶ Accordingly, as we discussed previously,¹⁰⁶⁷ we will issue a Public Notice to solicit further comment on the factors that contribute to the low subscribership levels that currently exist in insular areas, and to examine ways to improve subscribership in these areas.¹⁰⁶⁸

416. Regarding support for toll-free access and access to information services in insular areas, the Joint Board recommended that the Commission take no specific action at

¹⁰⁶² See Governor of Guam comments at 9-10.

¹⁰⁶³ Recommended Decision, 12 FCC Rcd at 308.

¹⁰⁶⁴ See 47 U.S.C. § 254(b)(3); Joint Explanatory Statement at 131. See also 47 U.S.C. § 153(40) (defining "State" to include U.S. Territories and possessions).

¹⁰⁶⁵ Recommended Decision, 12 FCC Rcd at 154.

¹⁰⁶⁶ See Puerto Rico Tel. Co. comments at 5 (telephone subscribership is 72 percent in Puerto Rico); CNMI NPRM comments at 10 (telephone subscribership is 66.8 percent in CNMI according to 1990 Census data).

¹⁰⁶⁷ See *supra* section V.B.2.

¹⁰⁶⁸ We recognize that, although the record includes data regarding Puerto Rico, Guam and CNMI, we have no data with respect to American Samoa. We strongly encourage American Samoa to supplement the record in this proceeding.

this time, but revisit this issue at a later date. The Joint Board's recommendation reflects the fact that Guam and CNMI will be included in the NANP by July 1, 1997, and that the Commission will require interstate carriers serving the Pacific Island territories to integrate their rates with the rates for services that they provide to other states no later than August 1, 1997. The Joint Board noted that those changes will affect decisions by the carriers' business customers and information service providers on whether to locate in a certain area or to provide toll-free access to that area.¹⁰⁶⁹

417. We agree with the Joint Board's recommendation that we take no action regarding support for toll-free access and access to information services for the Pacific Island territories now, but revisit whether we should provide such support after those islands are included in NANP and interexchange carriers have integrated the islands into their rate structures. Those changes will have a significant impact on how residents of the islands place interexchange calls and the rates that they, and toll-free access customers, will pay for the calls they place.¹⁰⁷⁰ As the Joint Board correctly noted, it will be difficult for information service providers and businesses subscribing to toll-free access services to decide whether and how to serve the islands in advance of these regulatory changes.¹⁰⁷¹ Consequently, we agree with the Joint Board that it is too early to assess whether there should be universal service support for toll-free access and information services in the Pacific Island territories or whether a decision not to provide support for these services would violate either section 202 or section 254(b)(3).¹⁰⁷²

418. We anticipate that, when final rate-integration plans are filed, on or before June 1, 1997, the Pacific Island territories will be included in the nationwide service offerings of toll-free access service providers. Because they will be part of the NANP by the time that the rate integration plans become effective in August, these islands should be included in any nationwide service offering made after that time. Subscribers to toll-free access service will, of course, continue to be able to offer their customers toll-free access to the subscribers' businesses on less than a nationwide basis, such as in regional or statewide toll-free service areas. Thus we do not find it necessary to adopt a specific requirement that carriers providing toll-free access service include the Pacific Island territories in their "nation-wide" service area,

¹⁰⁶⁹ See Recommended Decision, 12 FCC Rcd at 308-9.

¹⁰⁷⁰ We note, for example, that, in filing its preliminary rate integration plan, Sprint states that it intends "to reduce existing rates between Guam/Northern Marianas and the rest of the United States significantly." Letter to Regina M. Keeney, FCC, from Kent Y. Nakamura, Sprint, dated Feb. 3, 1997.

¹⁰⁷¹ Recommended Decision, 12 FCC Rcd at 309.

¹⁰⁷² See CNMI comments at 6, 10.

as suggested by the Governor of Guam.¹⁰⁷³

419. We agree with the commenters that there should be some period in which residents of CNMI and Guam can continue to have access to toll-free numbers while the market adjusts to the inclusion of those islands in the NANP and rate integration.¹⁰⁷⁴ We note that under the industry plan for introducing the new numbering plan areas (NPAs) for CNMI and Guam there is a twelve-month "permissive dialing" period during which callers may use either the NANP numbers or continue to use the international numbering plan to place calls to and from the islands.¹⁰⁷⁵ We find it in the public interest to permit the continued use of 880 and 881 numbers by end users in the Pacific Island territories to place toll-free calls during that "permissive dialing" period -- until July 1, 1998. We believe that such a period provides ample time for toll-free access customers to evaluate the costs and benefits of including the Pacific Island territories in their toll-free access service areas and to decide whether to include the islands in their area covered by the toll-free dialing service agreements with their service providers. We also note that the islands will be included in the NANP a month before the rate-integration plans must become effective. Without this transition period, there would be a month during which consumers could not use 880 or 881 numbers and during which toll-free access customers might not have the benefit of integrated rates to the islands.

420. Toll-free service is currently provided in CNMI and Guam as inbound foreign-billed service.¹⁰⁷⁶ This service allows a calling party who is in another NANP country to pay for a call from his or her location to the United States, where the call is linked to the toll-free service.¹⁰⁷⁷ For customers in CNMI and Guam, it means that they pay the portion of the 880/881 call from their location to Hawaii, where it is linked to the toll-free service.¹⁰⁷⁸

421. According to a resolution of the Industry Numbering Committee (INC), however, the use of 880 and 881 numbers for inbound foreign-billed 800-type service was to be restricted to calls placed from foreign locations within the NANP to toll-free dialing

¹⁰⁷³ See Governor of Guam comments at 8.

¹⁰⁷⁴ See CNMI comments at 13-14; Governor of Guam comments at 8-9; Interior reply comments at 2.

¹⁰⁷⁵ See North American Numbering Plan Planning Letter, NANP-Introduction of New 670 (CNMI) Numbering Plan Area (NPA), PL-NANP-010 (Sep. 4, 1996); North American Numbering Plan Planning Letter, NANP-Introduction of New 671 (Guam) Numbering Plan Area (NPA), PL-NANP-004 (Aug. 5, 1996).

¹⁰⁷⁶ CNMI comments at 7; Governor of Guam comments at 8.

¹⁰⁷⁷ See Bellcore, Reissuance of Notification of Assignment of 880 and 881 NPAs for Inbound Foreign Billed Calls to Toll-Free Numbers, Bellcore Letter Number IL-96/03-001 (dated Mar. 8, 1996)

¹⁰⁷⁸ CNMI comments at 7; Governor of Guam comments at 8.

numbers in the United States.¹⁰⁷⁹ Thus, consumers in CNMI and Guam would be unable to make 880/881 calls once those territories are included in the NANP. We find that the circumstances in these territories warrant exercise of our regulatory powers over numbering pursuant to section 251(e) of the Act to supersede this industry agreement by providing for the transition period described above that will allow end users in CNMI and Guam the continued use of 880/881 numbers to place toll-free calls.¹⁰⁸⁰ This action is related to the implementation of the 1996 Act, and is extremely limited in scope -- applying only to 880 and 881 calls from CNMI and Guam and only until July 1, 1998, which will coincide with the permissive dialing period established by the Administrator of the NANP. We also note that none of the parties that filed comments in this proceeding have objected to the proposal made by the Governor of Guam and CNMI to continue the use of the 880/881 numbers from CNMI and Guam during this period.¹⁰⁸¹ We also find that this action is in keeping with the Joint Board's intent that we allow the telecommunications markets in CNMI and Guam time to adjust to the inclusion of the islands in the NANP before we revisit whether to provide universal service support for toll-free access services from those areas.

422. We also find that the use of 880 and 881 numbers for a limited transition period does not violate section 228 of our rules regarding pay-per-call services.¹⁰⁸² Calls using 880 and 881 do not fall within the definition of "pay-per-call" because they are not accessed through a 900 number, and the calling party is only charged for the transmission, or part of the transmission, of the call.¹⁰⁸³ Although the 880 or 881 number provides a link to a toll-free number, it is not a toll-free number itself. Those numbers are not advertised as toll-free numbers and it is understood, particularly by consumers in the Pacific Island territories who have been using the numbers over the past few years, that there is a charge associated with the use of the numbers. Therefore, we conclude that the use of an 880 or 881 number

¹⁰⁷⁹ See Industry Numbering Committee, Issue #34: Allocation Request for 880 NPA Code, resolution date: November 3, 1995. See also Bellcore Letter Number IL-96/03-001 ("The 880 and 881 NPAs shall not be used for calls that originate and terminate in the same NANP country, i.e., they are not to be used domestically.")

¹⁰⁸⁰ 47 U.S.C. § 251(e).

¹⁰⁸¹ See CNMI comments at 14; Governor of Guam comments at 8-9. The only commenter that addressed this issue was Interior, which supports the proposal. Interior comments at 2.

¹⁰⁸² 47 U.S.C. § 228; 47 C.F.R. §§ 64.1501 *et seq.* These provisions require common carriers to prohibit the use of any telephone number beginning with an 800 access code, or any other telephone number advertised or widely understood to be toll-free, in a manner that would result in five described results including "[t]he calling party or the subscriber to the originating line being assessed by virtue of the call, a charge for the call," and "[t]he calling party being connected to a pay-per-call service." 47 C.F.R. § 64.1504.

¹⁰⁸³ See 47 U.S.C. § 228(i)(1); 47 C.F.R. § 64.1501(a).

does not violate the restrictions on the use of toll-free numbers in section 228 or our rules.¹⁰⁸⁴

423. We thus agree with CNMI that there is no legal restriction on using 880 and 881 numbers for calls from CNMI and Guam to toll-free access numbers within the NANP.¹⁰⁸⁵ Indeed, because we find the temporary use of those numbers for access to toll-free services in the Pacific Island territories to be in the public interest, at least for a short period, we shall permit carriers originating calls from the Pacific Island territories to toll-free access services within the NANP to continue using 880 and 881 numbers to provide access to those services until July 1, 1998. Consumers on those islands should thus be able to continue to use 880/881 to access toll-free numbers during that period. We anticipate that by July 1, 1998, the businesses subscribing to toll-free access services will have made a business decision as to whether to include the Pacific Island territories in their toll-free access service plans. As recommended by the Joint Board, we will then revisit the issue of whether universal service support is needed for toll-free access and access to information services from the Pacific Island territories.

¹⁰⁸⁴ See 47 U.S.C. § 228(c)(7); 47 C.F.R. § 64.1504.

¹⁰⁸⁵ CNMI comments at 14.